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Don't Get Taken at Web Auctions. (Industry Trend or Event)

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ABSTRACT:

The meteoric success of online auctions has brought along with it more and more complaints from both buyers and sellers. It is important to understand and minimize the risks involved in Web auctions. The risk of undelivered products can be eliminated by using an escrow service to handle the transaction. The cost paid by both parties is about 5% of the product price with a minimum of \$5. Other risks are inaccurate product descriptions and using a decoy to drive up bids (shill bidding.) It is advisable to read the **feedback** section, a central component of Web auction sites, where both buyers and sellers communicate their comments.

TEXT:

Web auctions are booming, but so are complaints from buyers and sellers. Here's how you can protect yourself.

In Internet years, Web auctions have reached adolescence. Seemingly overnight they've gone from fledgling start-ups used by small communities of regulars to multimillion-dollar enterprises more populous than some small countries.

And with this meteoric success have come the inevitable growing pains. Consumers and auction houses are grappling with the challenge of conducting person-to-person transactions online.

Participating in an online auction involves more than just registering with a site and placing a bid. And starting your own auction brings its own set of challenges. In either case, it's important to understand the risks and then take precautions to minimize them. Here's a look at common pitfalls, plus ways to shop with confidence.

Danger Zones

Undelivered products. It's every buyer's nightmare. You win the auction and pay your money, but the goods never arrive. By most accounts, only a small percentage of auction transactions turn out to be fraudulent. Still, you need only be burned once to decide it just isn't worth the risk.

In Pennsylvania, the state attorney general's office filed charges against a man accused of selling Furbies at an **EBay** auction and failing to deliver the toys to the winning bidders. In another instance, the U.S. postal inspector's office is investigating an Oklahoma man who allegedly cashed in on winning bids but never shipped the sports memorabilia he was selling on **EBay**. Do these and other cases constitute an epidemic? No. Should consumers be concerned? Absolutely.

One of the most effective methods of protecting yourself is to engage an escrow service to handle the transaction. For a fee paid by both parties (typically 5 percent of the sale price or \$5, whichever is higher) the service acts as an intermediary, holding on to the funds until the buyer has a chance to inspect the goods.

When does an escrow service make sense? Andy Rebele, founder and CEO of City Auction, urges consumers to take advantage of escrow services when buying items worth \$100 or more. And if a seller won't use an escrow service? "Move on," he advises.

Inaccurate descriptions. Although cases of fraud often make headlines, a more common problem is that of products not matching their descriptions. Take Rani Garner's experience. She purchased a basket of "New Year's goodies" on City Auction last year, but, says Garner, it "was nowhere near what the picture showed." In fact, she adds, the basket contained "a bag of leftover Halloween candy, one broken glass, and one filthy one."

Although it's impossible to avoid all risk (even when, as in Garner's

case, the seller includes a picture of the item), attention to the details can improve your odds of getting what you pay for. First, make sure you know whether the item is new or used, what condition it's in, and in the case of electronics or computer equipment, the product's specifications. If the seller's description doesn't answer all your questions, send an e-mail asking for more information.

Shill bidding: Look at auction message boards, and you'll see why shill bidding--using a decoy to drive up bids--is a source of concern to auction enthusiasts. Auction houses say that they are constantly on the lookout for shill bidding and urge users to report any suspected abuse. In a recent overhaul of many of its customer service policies, **EBay** instituted tougher penalties for shill bidders. A first offense warrants 30-day suspension from the service. Repeat offenders are banned permanently. **EBay** spokesperson Kristin Seuell says that the service "has ways of detecting shill bidders," but for security reasons, she was not able to elaborate.

Consumers can protect themselves by researching the value of an item before bidding. Once the auction is under way, it's easy to get caught up in the excitement. Set a cap on what you're willing to pay, and stick with it. Most sites let bidders indicate a maximum bid, and automatically update the bid by the smallest possible increment until the cap is reached. This may stem an impulse to overbid.

One note: Although buyers assume much of the risk associated with auctions, sellers can also have problems. The most common complaint among sellers is deadbeat bidders--people who win an auction but fail to make payment. Though it's hard to protect yourself from deadbeat bidders, you can specify in your auction's regulations that if the winner fails to pay within a specified period, the auction will be voided. Also, say plainly that no products will be shipped until a check is received and has cleared.

The **Feedback** Conundrum

A central component of person-to-person auction sites is the **feedback** section, where buyers and sellers can leave their kudos and complaints about fellow auction participants. Based on these comments, buyers and sellers earn negative and positive ratings. It's a great system--when it works.

With the exception of profanity or statements known to be false, comments go unedited. Although this policy encourages dialogue, it can lead to abuse. Buyers and sellers who feel they've been burned can ruin an individual's reputation--sometimes groundlessly. Participants can also falsely boost a **rating** by using multiple IDs or conspiring with others to post bogus comments.

How do you know which comments to believe and which to ignore? First, read a large enough sampling to understand the overall tone. Then, check to see who wrote the comments. Have the writers actually completed transactions with the person in question? If the comments themselves don't make this clear, then e-mail the writers to find out.

On **EBay**, for example, any participant can **comment** about anyone else, and until recently, it was difficult to know if an overall positive **rating** was the result of successful transactions or because the person being rated had a lot of friends filing comments. Comments are now separated into two groups--those dealing with a specific transaction and more general ones about a registered user. Again, if you have questions after reading the comments, contact some of the writers as well as the person with whom you're thinking of doing business. If you don't get satisfactory answers, look elsewhere.

Buyer--and Seller--Beware

Online auctions can be a great way to buy and sell everything from used computers to collectibles. But seemingly great deals can turn into disasters for those who don't do their homework. Take the time to learn the rules of the game--this knowledge will serve you well as you take a walk on the wild side of e-commerce.

Do you frequent online auctions? How can participants protect themselves from rip-offs and fraud? Send your thoughts to consumerwatch@pcworld.com. Contributing Editor Roberta Furger is the author of *Does Jane Compute? Preserving our Daughters' Place in the Cyber Revolution* (Warner Books, 1998).*

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Dealing with a seller you've never met via a computer screen can be a scary proposition. So **eBay**, the online auction house, has devised a reputation **rating** system to help traders judge each other. Buyers and sellers leave public comments, known as "**feedback**," about transactions on the site. Each positive note ("Great transaction; product arrived quickly") is assigned a point and tallied to give a numerical **rating**. Each negative ("Mailed payment. Have heard nothing. Ignores E-mail.") lowers the score by a point.

But does the **feedback** help buyers determine whether sellers are reputable? "I think it's really hard to evaluate that information," says Susan Grant, director of the National Fraud Information Center in Washington, D.C. "It hasn't been screened by anyone, and no one has investigated the complaint."

The system can be manipulated. Anyone can post a positive **comment** in **feedback**. And some are afraid to post negative remarks, fearing a retaliatory negative grade.

Still, **feedback** has its merits. Rodrigo Sales, co-founder of AuctionWatch.com (www.auctionwatch.com), says he takes comfort in longtime sellers. The system also gives one a sense of the seller's communication skills. "Did they report in a calm, factual manner or did they say the user is a lunatic?" asks Cari Thompson of Auction Patrol (www.auctionpatrol.com).

If you get bad vibes after winning an auction, wait a few days and examine the **feedback** again before sending payment, says Chris Painter, an assistant U.S. attorney in California who investigates Internet fraud.

"People who get ripped off tend to speak up quickly."

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NAICS CODES: 514199 All Other Information Services
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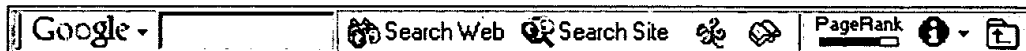
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\$12.07 2.235 DialUnits File15
\$1.55 1 Type(s) in Format 2
\$3.20 1 Type(s) in Format 9
\$0.75 3 Type(s) in Format 95 (KWIC)
\$5.50 5 Types
\$17.57 Estimated cost File15
\$1.25 0.231 DialUnits File9
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\$0.25 1 Type(s) in Format 95 (KWIC)
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\$6.44 Estimated cost File148
\$0.93 0.934 DialUnits File20
\$0.93 Estimated cost File20
OneSearch, 13 files, 7.697 DialUnits FileOS
\$0.55 TYMNET
\$42.21 Estimated cost this search
\$42.22 Estimated total session cost 7.905 DialUnits

Set	Items	Description
S1	736700	CUSTOMER (W) SERVICE
S2	332763	S1 AND RANK OR RANKING
S3	558952	RANK OR RANKING
S4	19653	S3 AND S1
S5	95	S4 AND NUMERIC
S6	9	S5 AND MEMBERSHIP
S7	8	S6 AND LEVEL
S8	4	S7 AND PY<=1998
S9	4	RD (unique items)
S10	23	S1 AND MEMBERSHIP (W) LEVEL
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